

TOWN OF LINDEN, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2015

TOWN OF LINDEN, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF LINDEN, TENNESSEE

Officials of the Town of Linden, Tennessee

June 30, 2015

Name

Title

Elected Officials:

Jim Azbill	Mayor
Sherman Vaughn	Alderman
Billy Ray Yarbrow	Alderman
Johnny Whitt	Alderman
Gary Rogers	Alderman
Tex Smith	Alderman
Billy Ward	Alderman

Management:

Sabrina Swindle	Town Recorder
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FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Board of Aldermen of the
Town of Linden, Tennessee
Linden, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, and the major fund of the Town of Linden, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, and each major fund of the Town of Linden, Tennessee as of June 30, 2015, and the respective changes in financial position and, where applicable, the cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters -Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Introductory Section and the Supplementary Information, and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water) have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water), is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Unaccounted for Water has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 31, 2015 on the consideration of the Town of Linden's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Jah R Poole, CPA

July 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF LINDEN, TENNESSEE

Management's Discussion and Analysis

As management of the Town of Linden, Tennessee (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Town of Linden exceeded its liabilities at the close of the most recent fiscal year by \$9,413,985. Of this amount, \$1,411,666 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by 381,465, as a result of recognizing grant contributions of \$447,759 related to the completion of Community Improvement projects. Utility fund user charges revenues decreased as a result of lower natural gas rates – offset by lower natural gas costs. However, governmental expenses were \$454,534 lower due to the completion of grant projects in the current year. Utility fund expenses were \$237,590 lower due to lower natural gas costs. An analysis of revenues and expenses for the governmental and utility operations of the Town are included in this Management Discussion and Analysis.

As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$541,038 an increase of \$237,828 in comparison to the prior year due to decreased expenditures in the public works department. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$536,054 or 77% of the total general fund expenditures.

The Town's business-like activities total net position increased by \$79,069 due to an operating grant received. The Town's total debt decreased by \$78,696 during the current fiscal year. The key factor in this decrease is the Town's ability to finance all current projects.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town of Linden's basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax). Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Linden include general government, personnel, finance, parks, planning, police, fire, disposal service, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The Town of Linden, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are governmental funds.

Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the fund which is considered to be major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic financial statements can be found on pages 14-23 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-42 of this report.

Financial Analysis of the Financial Statements--Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Linden, assets exceeded liabilities by \$9,413,985 at the close of the most recent fiscal year. By far the largest portion of the Town's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt use to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial Analysis of the Financial Statements -- Town of Linden's Net Position -2015

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 650,308	1,178,563
Deferred outflows	13,596	60,621
Capital assets	<u>1,100,120</u>	<u>7,782,401</u>
Total assets and deferred outflows	1,764,024	9,021,585
Long-term liabilities outstanding	0	880,202
Deferred inflows	97,578	94,167
Liabilities	<u>18,432</u>	<u>281,245</u>
Total liabilities and deferred inflows	116,010	1,255,614
Net position:		
Net investment in capital assets	1,100,120	6,902,199
Restricted	-	-
Unrestricted	<u>547,894</u>	<u>863,772</u>
Total net position	\$ 1,648,014	7,765,971

Financial Analysis of the Financial Statements -- Town of Linden's Net Position -2014

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 436,725	1,382,368
Capital assets	<u>1,048,637</u>	<u>7,931,552</u>
Total assets	1,485,362	9,313,920
Long-term liabilities outstanding	0	958,898
Other liabilities	<u>117,080</u>	<u>498,442</u>
Total liabilities	117,080	1,457,340
Net position:		
Net investment in capital assets	1,048,637	6,972,654
Restricted	-	-
Unrestricted	<u>319,645</u>	<u>883,926</u>
Total net position	\$ 1,368,282	7,856,580

At the end to the current fiscal year, the Town is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Comparison between revenues and expenses between years.

	2015 Governmental Activities	2014 Governmental Activities	Change Between Years	2015 Business- Type -Activities	2014 Business- Type -Activities	Change Between Years
Revenues:						
Charges for services	15,000	24,000	(9,000)	1,971,680	2,156,899	(185,219)
Operating grants and contributions	395,355	25,342	370,013	52,404	90,000	(37,596)
Capital grants and contributions	0	593,448	(593,448)	0	735,608	(735,608)
Property taxes	104,434	94,689	9,745	0	0	0
Sales taxes	255,966	253,011	2,955	0	0	0
Beer and liquor taxes	116,396	117,224	(828)	0	0	0
Other taxes	31,537	33,366	(1,829)	0	0	0
Other revenues	14,043	45,197	(31,154)	2,251	1,554	697
Total Revenues	<u>\$932,731</u>	<u>\$1,186,277</u>	<u>(\$253,546)</u>	<u>\$2,026,335</u>	<u>\$2,984,061</u>	<u>(\$957,726)</u>
Expenses:						
Current:						
General government	367,812	665,833	(298,021)	0	0	0
Police department	96,367	89,630	6,737	0	0	0
Fire department	18,498	27,656	(9,158)	0	0	0
Public works/State Street Aid	108,403	241,647	(133,244)	0	0	0
Parks and recreation	0	13,413	(13,413)	0	0	0
Sanitation	39,255	46,690	(7,435)	0	0	0
Water and Sewer	0	0	0	1,017,010	1,087,442	(70,432)
Natural Gas	0	0	0	930,256	1,097,414	(167,158)
Total Expenses	<u>\$630,335</u>	<u>\$1,084,869</u>	<u>(\$454,534)</u>	<u>\$1,947,266</u>	<u>\$2,184,856</u>	<u>(\$237,590)</u>
Excess (deficiency) of revenues over expenses	<u>302,396</u>	<u>101,408</u>	<u>200,988</u>	<u>79,069</u>	<u>799,205</u>	<u>(720,136)</u>

Financial Analysis of the Financial Statements

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the Town of Linden's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements in particular, unassigned fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year.

Governmental Budgetary Highlights

The Town maintained its governmental fund departmental budgets during the year. The Town amended its budget to account for grants received during the year. For a further analysis see pages 21-23.

Capital Assets

The Town of Linden's investment in capital assets from its governmental activities at June 30, 2015, amounts to \$1,100,120 (net of accumulated depreciation) and its business-type activities amounts to \$7,782,401. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

Town of Linden's Capital Assets - 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land and buildings	\$1,124,687	284,294
Equipment and plant	<u>660,667</u>	<u>12,977,713</u>
Less accumulated depreciation	(685,234)	(5,479,606)
Net Capital Assets	<u>\$1,100,120</u>	<u>\$7,782,401</u>

Town of Linden's Capital Assets - 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land and buildings	\$1,044,240	168,617
Equipment and plant	<u>627,700</u>	<u>13,024,770</u>
Less accumulated depreciation	(623,303)	(5,261,835)
Net Capital Assets	<u>\$1,048,637</u>	<u>\$7,931,552</u>

Additional information on the Town of Linden's capital assets can be found in the notes to the financial statements section of this report.

Long-Term Debt

The Town has \$880,202 in utility construction related debt. The debt is paying down as scheduled and was reduced by \$78,696.

Economic Factors and Next Year's Budget and Rates

In the 2015-2016 budget, General fund revenues are budgeted to decrease from the 2014-2015 budget year primarily due to lower grants projects partially offset by increases in local sales tax, and state shared revenues. All of these factors were considered in preparing the Town's budget for the 2015-2016 fiscal year.

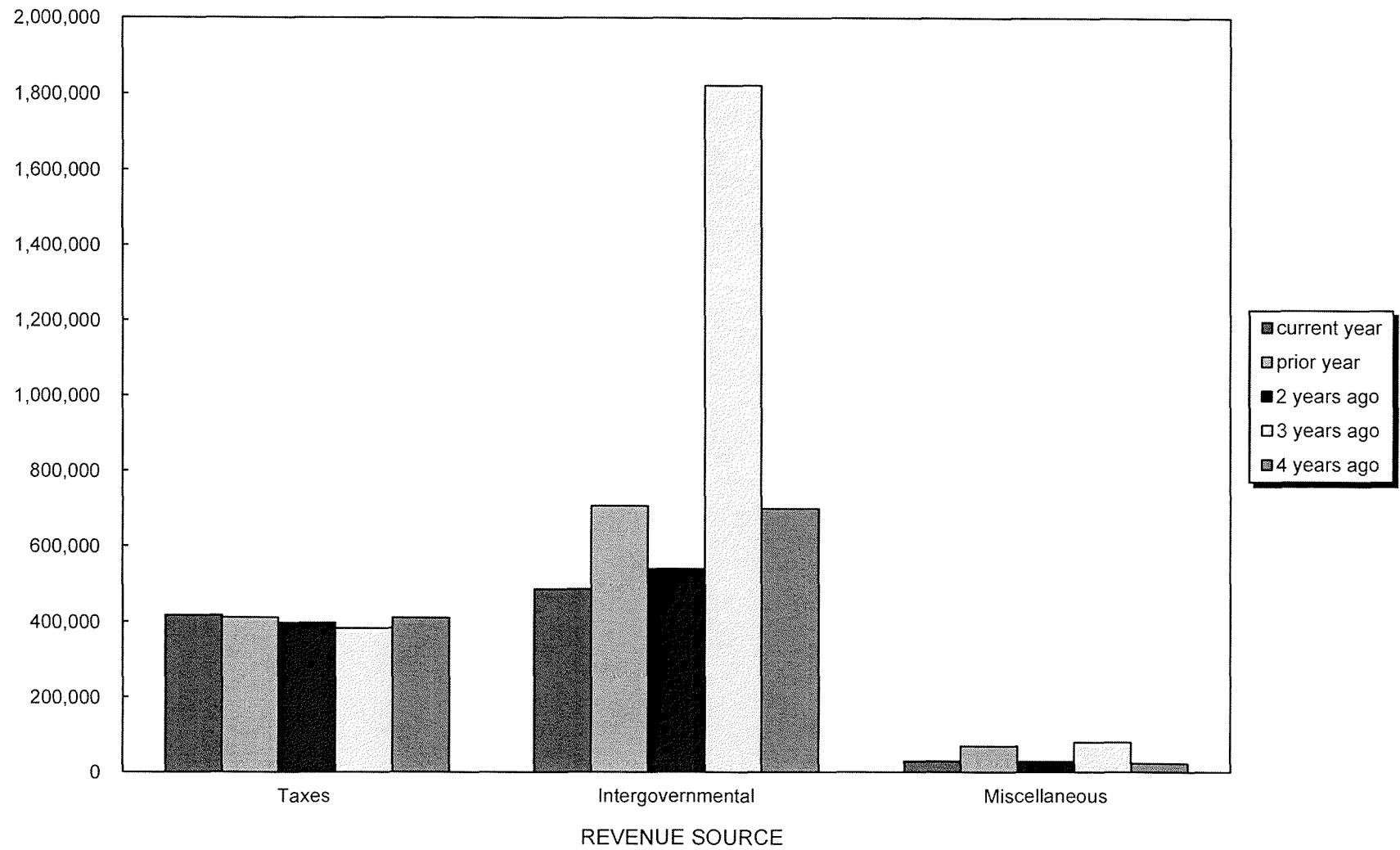
Requests for Information

This financial report is designed to provide a general overview of the Town of Linden, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Jim Azbill
Town of Linden

TOWN OF LINDEN

GOVERNMENTAL FUND REVENUES



TOWN OF LINDEN

GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

TOWN OF LINDEN, TENNESSEE

Statement of Net Position

June 30, 2015

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	474,603	875,902	1,350,505
Certificate of deposit	0	83,464	83,464
Receivables	170,721	141,261	311,982
Natural gas in storage	0	68,818	68,818
Prepaid assets	4,984	9,118	14,102
Deferred outflows - pension	13,596	60,621	74,217
Capital assets not being depreciated	144,497	28,939	173,436
Capital assets, net of accumulated depreciation	<u>955,623</u>	<u>7,753,462</u>	<u>8,709,085</u>
Total Assets	<u><u>1,764,024</u></u>	<u><u>9,021,585</u></u>	<u><u>10,785,609</u></u>
Liabilities			
Accounts payable	6,857	52,840	59,697
Accrued expenses	0	15,509	15,509
Net pension position	11,575	86,657	98,232
Customer deposits	0	126,239	126,239
Long-term liabilities:			
Due within one year	0	81,605	81,605
Due in more than one year	0	798,597	798,597
Total Liabilities	<u><u>18,432</u></u>	<u><u>1,161,447</u></u>	<u><u>1,179,879</u></u>
Deferred Inflows			
Deferred inflow of resources - property taxes	85,000	0	85,000
Deferred inflow of resources - pension	12,578	94,167	106,745
Total Deferred inflows	<u><u>97,578</u></u>	<u><u>94,167</u></u>	<u><u>191,745</u></u>
Net Position:			
Net Investments in capital assets	1,100,120	6,902,199	8,002,319
Unrestricted	<u>547,894</u>	<u>863,772</u>	<u>1,411,666</u>
Total Net Position	<u><u>1,648,014</u></u>	<u><u>7,765,971</u></u>	<u><u>9,413,985</u></u>

See accompanying notes to financial statements.

TOWN OF LINDEN, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2015

Function/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Government Activities:							
General government	367,812	15,000	369,664	0	16,852	0	16,852
Police	96,367	0	0	0	(96,367)	0	(96,367)
Fire	18,498	0	0	0	(18,498)	0	(18,498)
Sanitation	39,255	0	0	0	(39,255)	0	(39,255)
State Street Aid	108,403	0	25,691	0	(82,712)	0	(82,712)
Total Governmental Activities	<u>630,335</u>	<u>15,000</u>	<u>395,355</u>	<u>0</u>	<u>(219,980)</u>	<u>0</u>	<u>(219,980)</u>
Business - type Activities:							
Water and Sewer	1,017,010	1,010,576	36,423	0	0	29,989	29,989
Natural Gas	930,256	961,104	15,981	0	0	46,829	46,829
Total Business Type Activities	<u>1,947,266</u>	<u>1,971,680</u>	<u>52,404</u>	<u>0</u>	<u>0</u>	<u>76,818</u>	<u>76,818</u>
Total	<u>2,577,601</u>	<u>1,986,680</u>	<u>447,759</u>	<u>0</u>	<u>(219,980)</u>	<u>76,818</u>	<u>(143,162)</u>
General Revenues:							
Property taxes					93,903	0	93,903
Public utility taxes					10,531	0	10,531
Sales taxes					255,966	0	255,966
Beer and liquor taxes					116,396	0	116,396
Income and excise tax					11,236	0	11,236
Interest income					1,068	2,251	3,319
Business and franchise taxes					20,301	0	20,301
Other					12,975	0	12,975
Total general revenues					<u>522,376</u>	<u>2,251</u>	<u>524,627</u>
Changes in Net Position					<u>302,396</u>	<u>79,069</u>	<u>381,465</u>
Net Position - beginning of year					1,368,282	7,856,580	9,224,862
Restatement					(22,664)	(169,678)	(192,342)
Net Position - beginning of year, as restated					1,345,618	7,686,902	9,032,520
Net Position - ending of year					<u>1,648,014</u>	<u>7,765,971</u>	<u>9,413,985</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF LINDEN, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Total
<u>Assets</u>		
Cash and cash equivalents	\$474,603	\$474,603
Accounts receivable:		
Taxes receivable	95,269	95,269
Other governments	75,452	75,452
	<u>170,721</u>	<u>170,721</u>
Prepaid assets	<u>4,984</u>	<u>4,984</u>
 Total Assets	 <u><u>\$650,308</u></u>	 <u><u>\$650,308</u></u>
<u>Liabilities, Deferred Inflows and Fund Balance</u>		
Liabilities:		
Accounts payable	<u>\$6,857</u>	<u>\$6,857</u>
 Total Liabilities	 <u>6,857</u>	 <u>6,857</u>
Deferred Inflow of Resources:		
Deferred current property taxes	85,000	85,000
Deferred delinquent property taxes	10,269	10,269
Other deferred/ other governments	7,144	7,144
Total Deferred Inflow of Resources	<u>102,413</u>	<u>102,413</u>
Fund Balance:		
Non-spendable	4,984	4,984
Unassigned	536,054	536,054
Total Fund Balance	<u>541,038</u>	<u>541,038</u>
 Total Liabilities, Deferred Inflows and Fund Balance	 <u><u>\$650,308</u></u>	 <u><u>\$650,308</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF LINDEN, TENNESSEE

**Reconciliation of the Balance Sheet to the Statement of Net Position
of Governmental Activities**

June 30, 2015

Amounts reported for fund balance - total governmental funds	\$ <u>541,038</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	17,413
Pension related accounts - governmental funds to not record these post-benefit obligations	
Net pension position	(11,575)
Deferred outflow - pension	13,596
Deferred inflow - pension	(12,578)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>1,100,120</u>
Net Position of governmental activities	\$ <u><u>1,648,014</u></u>

See accompanying notes to financial statements.

TOWN OF LINDEN, TENNESSEE

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds**

For the Year Ended June 30, 2015

	General Fund	Total Governmental Funds
Revenues:		
Taxes	417,104	417,104
Intergovernmental	485,606	485,606
Miscellaneous	29,043	29,043
Total revenues	<u>\$931,753</u>	<u>\$931,753</u>
Expenditures:		
Current:		
General government	345,353	345,353
Police	96,367	96,367
Fire	11,204	11,204
Sanitation	39,255	39,255
State Street Aid	88,332	88,332
Capital outlay:		
General government	32,967	32,967
Fire department	80,447	80,447
Total expenditures	<u>\$693,925</u>	<u>\$693,925</u>
Excess (deficiency) of revenues over expenditures	<u>237,828</u>	<u>237,828</u>
 Fund Balance, Beginning of year	 303,210	 303,210
Fund Balance, End of Year	<u>\$541,038</u>	<u>\$541,038</u>

See accompanying notes to financial statements.

TOWN OF LINDEN, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds:	\$ 237,828
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Acquisition of capital assets	113,414
Depreciation expense	(61,931)
Expenses reported in the statement of activities that affect accrued liabilities that are not reported as expenditures in the governmental funds	
Change in pension plan accrual	12,107
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	<u>978</u>
Change in Net Position of governmental activities	\$ <u><u>302,396</u></u>

See accompanying notes to financial statements.

TOWN OF LINDEN, TENNESSEE

Statement of Net Position

Proprietary Funds

June 30, 2015

	Water and Sewer Fund	Natural Gas Fund	Total
<u>Assets and Deferred Outflows</u>			
Current Assets:			
Cash and cash equivalents	\$279,607	596,295	875,902
Certificate of deposit	0	83,464	83,464
Customer accounts receivable, net of allowance	97,474	43,787	141,261
Due from other funds	0	80,218	80,218
Prepaid assets	4,559	4,559	9,118
Natural gas in storage	0	68,818	68,818
Total Current Assets	<u>381,640</u>	<u>877,141</u>	<u>1,258,781</u>
Capital Assets:			
Utility plant in service	9,937,776	3,324,231	13,262,007
Less accumulated depreciation	<u>(4,082,497)</u>	<u>(1,397,109)</u>	<u>(5,479,606)</u>
Total Capital Assets, Net	<u>5,855,279</u>	<u>1,927,122</u>	<u>7,782,401</u>
Deferred outflows - pension	<u>35,851</u>	<u>24,770</u>	<u>60,621</u>
 Total Assets	 <u><u>\$6,272,770</u></u>	 <u><u>\$2,829,033</u></u>	 <u><u>\$9,101,803</u></u>
<u>Liabilities</u>			
Accounts payable	\$20,496	32,344	52,840
Accrued expenses	9,197	6,312	15,509
Due to other funds	80,218	0	80,218
Customer deposits	70,448	55,791	126,239
Net pension position	51,538	35,119	86,657
Long-term debt due within one year	41,102	40,503	81,605
Long-term debt due in more than one year	319,520	479,077	798,597
Total Liabilities	<u>592,519</u>	<u>649,146</u>	<u>1,241,665</u>
Deferred inflows - pension	<u>56,004</u>	<u>38,163</u>	<u>94,167</u>
Net Position:			
Net Investment in capital assets	5,494,657	1,407,542	6,902,199
Unrestricted	<u>129,590</u>	<u>734,182</u>	<u>863,772</u>
Total Net Position	<u><u>5,624,247</u></u>	<u><u>2,141,724</u></u>	<u><u>7,765,971</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF LINDEN, TENNESSEE

**Statement of Revenues, Expenses
and Changes in Net Position**

Enterprise Funds

For the Year Ended June 30, 2015

	Water and Sewer Fund	Natural Gas Fund	Total
Operating Revenues:			
Metered sales	\$819,856	\$935,599	\$1,755,455
Tap and installation fees	190,720	25,505	216,225
Total Operating Revenues	<u>1,010,576</u>	<u>961,104</u>	<u>1,971,680</u>
Operating Expenses:			
Salaries	237,444	156,630	394,074
Payroll taxes	18,164	12,072	30,236
Employee benefits	50,493	73,062	123,555
Utilities	123,090	3,404	126,494
Dues	9,716	0	9,716
Professional services	144,201	33,619	177,820
Gas purchased	0	432,771	432,771
Insurance	28,197	28,196	56,393
Repair and maintenance	82,519	58,922	141,441
Supplies	60,158	11,056	71,214
Office expense	7,964	7,192	15,156
Gas and oil	9,298	20,596	29,894
Rent	7,500	7,500	15,000
Miscellaneous	4,033	2,854	6,887
Depreciation	221,470	71,134	292,604
Total Operating Expenses	<u>1,004,247</u>	<u>919,008</u>	<u>1,923,255</u>
Operating income (loss)	<u>6,329</u>	<u>42,096</u>	<u>48,425</u>
Nonoperating Revenues (Expenses):			
Interest expense	(12,763)	(11,248)	(24,011)
State reimbursement	36,423	15,981	52,404
Interest income	763	1,488	2,251
Total Nonoperating Revenues (Expenses)	<u>24,423</u>	<u>6,221</u>	<u>30,644</u>
Net change in Net Position	30,752	48,317	79,069
Net Position, July 1, 2014	<u>5,694,408</u>	<u>2,162,172</u>	<u>7,856,580</u>
Restatement	(100,913)	(68,765)	(169,678)
Net Position, July 1, 2014, as restated	5,593,495	2,093,407	7,686,902
Net Position, June 30, 2015	<u>\$5,624,247</u>	<u>\$2,141,724</u>	<u>\$7,765,971</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF LINDEN, TENNESSEE

Statement of Cash Flows

Proprietary Fund Type

Water and Sewer and Gas Fund

For the Year Ended June 30, 2015

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	1,010,576	961,104	1,971,680
Cash paid to suppliers	(507,642)	(547,292)	(1,054,934)
Cash paid for employees	(306,101)	(241,764)	(547,865)
Net Cash Provided (Used) by Operating Activities	<u>196,833</u>	<u>172,048</u>	<u>368,881</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(117,972)	(25,482)	(143,454)
Interest paid	(12,763)	(11,248)	(24,011)
Repayment of debt	(39,686)	(39,010)	(78,696)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(170,421)</u>	<u>(75,740)</u>	<u>(246,161)</u>
Cash Flows from Investing Activities:			
Interest received	763	1,488	2,251
Net Cash Provided (Used) by Investing Activities	<u>763</u>	<u>1,488</u>	<u>2,251</u>
Net Change in Cash	<u>27,175</u>	<u>97,796</u>	<u>124,971</u>
Cash and Cash Equivalents, July 1, 2014	252,432	498,499	750,931
Cash and Cash Equivalents, June 30, 2015	<u>279,607</u>	<u>596,295</u>	<u>875,902</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	6,329	42,096	48,425
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	221,470	71,134	292,604
State reimbursement	36,423	15,981	52,404
Change in assets (increase) decrease:			
Receivables	266,093	65,894	331,987
Inventory	0	(3,210)	(3,210)
Deferred outflow	(35,851)	(24,770)	(60,621)
Change in liabilities increase (decrease):			
Accounts payable	(314,291)	5,961	(308,330)
Accrued expenses	2,941	2,835	5,776
Customer deposits	(900)	(400)	(1,300)
Due to/from other funds	7,990	(7,990)	0
Deferred inflow	56,004	38,163	94,167
Net pension positin	(49,375)	(33,646)	(83,021)
Net Cash Provided by Operating Activities	<u>196,833</u>	<u>172,048</u>	<u>368,881</u>

See accompanying notes to the financial statements.

TOWN OF LINDEN, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Taxes:				
Property taxes	\$80,000	\$80,000	\$92,925	12,925
Local sales tax	180,000	180,000	187,916	7,916
Local beer tax	90,500	90,500	92,881	2,381
Liquor tax	25,000	25,000	23,081	(1,919)
Business taxes	21,400	21,400	20,301	(1,099)
Total Taxes	<u>396,900</u>	<u>396,900</u>	<u>417,104</u>	<u>20,204</u>
Intergovernmental:				
TVA in lieu	7,500	7,500	10,531	3,031
State sales tax	62,500	62,500	68,050	5,550
Grant income	0	400,000	369,664	(30,336)
State income tax	4,950	4,950	4,309	(641)
State beer tax	400	400	434	34
Special petroleum taxes	1,000	1,000	1,791	791
Gasoline .03 tax	3,904	3,904	3,425	(479)
Gasoline 1989 tax	3,746	3,746	3,211	(535)
Gasoline and motor fuel	16,350	16,350	17,264	914
Corporate excise tax	6,000	6,000	6,927	927
Total Intergovernmental Revenue	<u>106,350</u>	<u>506,350</u>	<u>485,606</u>	<u>(20,744)</u>
Miscellaneous:				
Miscellaneous	1,000	1,000	2,517	1,517
Rent	30,000	30,000	15,000	(15,000)
Insurance proceeds	0	0	10,458	10,458
Interest income	1,300	1,300	1,068	(232)
Total Miscellaneous Revenue	<u>32,300</u>	<u>32,300</u>	<u>29,043</u>	<u>(3,257)</u>
Total Revenues	<u>535,550</u>	<u>935,550</u>	<u>931,753</u>	<u>(3,797)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF LINDEN, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures:				
General Government:				
Current:				
Salaries	73,056	73,056	81,878	8,822
Employee benefits	30,234	30,234	20,170	(10,064)
Board and committee members	11,625	11,625	32,136	20,511
Professional services	26,000	26,000	7,940	(18,060)
Promotion	15,000	15,000	14,046	(954)
Office supplies	5,500	5,500	16,144	10,644
Donations	20,000	20,000	7,745	(12,255)
Travel and mileage	5,000	5,000	2,480	(2,520)
Utilities	11,000	11,000	15,102	4,102
Insurance	32,000	32,000	5,653	(26,347)
Repair and Maintenance	7,500	7,500	3,903	(3,597)
Fees	6,000	6,000	4,757	(1,243)
Improvements	4,350	277,350	130,345	(147,005)
Miscellaneous	9,850	9,850	3,054	(6,796)
	<u>257,115</u>	<u>530,115</u>	<u>345,353</u>	<u>(184,762)</u>
Capital outlay	15,000	50,000	32,967	(17,033)
Total General Government	<u>272,115</u>	<u>580,115</u>	<u>378,320</u>	<u>(201,795)</u>
Public Safety:				
Police Department:				
Current:				
Contract with county	75,000	75,000	75,000	0
Animal control	16,500	22,500	21,367	(1,133)
Miscellaneous	0	0	0	0
	<u>91,500</u>	<u>97,500</u>	<u>96,367</u>	<u>(1,133)</u>
Capital outlay	0	0	0	0
Total Police Department	<u>91,500</u>	<u>97,500</u>	<u>96,367</u>	<u>(1,133)</u>
Fire Department:				
Current:				
Supplies	5,000	5,000	3,553	(1,447)
Repair and maintenance	5,000	5,000	1,280	(3,720)
Utility	1,500	1,500	1,211	(289)
Volunteer firemen	5,200	5,200	5,160	(40)
	<u>16,700</u>	<u>16,700</u>	<u>11,204</u>	<u>(5,496)</u>
Capital outlay	0	75,000	80,447	5,447
Total Fire Department	<u>16,700</u>	<u>91,700</u>	<u>91,651</u>	<u>(49)</u>
Total Public Safety	<u>108,200</u>	<u>189,200</u>	<u>188,018</u>	<u>(1,182)</u>

Continued on next page

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF LINDEN, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
State Street Aid:				
Current:				
Repair and maintenance	44,500	45,500	48,658	3,158
Gas and oil	3,000	3,000	2,524	(476)
Street lighting	25,000	35,000	33,336	(1,664)
Miscellaneous	5,000	5,000	3,814	(1,186)
	<u>77,500</u>	<u>88,500</u>	<u>88,332</u>	<u>(168)</u>
Capital outlay	0	0	0	0
Total State Street Aid	<u>77,500</u>	<u>88,500</u>	<u>88,332</u>	<u>(168)</u>
Sanitation:				
Current:				
Salaries and employee benefits	42,085	42,085	38,355	(3,730)
Maintenance and supplies	7,260	7,260	900	(6,360)
	<u>49,345</u>	<u>49,345</u>	<u>39,255</u>	<u>(10,090)</u>
Capital outlay	0	0	0	0
Total Sanitation	<u>49,345</u>	<u>49,345</u>	<u>39,255</u>	<u>(10,090)</u>
 Total Expenditures	 <u>507,160</u>	 <u>907,160</u>	 <u>693,925</u>	 <u>(213,235)</u>
 Excess (deficiency) of Revenues over Expenditures	 28,390	 28,390	 237,828	 209,438
 Fund Balance, July 1, 2014	 <u>303,210</u>	 <u>303,210</u>	 <u>303,210</u>	 <u>0</u>
 Fund Balance, June 30, 2015	 <u><u>\$331,600</u></u>	 <u><u>\$331,600</u></u>	 <u><u>\$541,038</u></u>	 <u><u>\$209,438</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The Town of Linden, Tennessee, was incorporated by the Private Act of the Tennessee General Assembly. The Town provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police and Fire), water and sewerage, natural gas, streets, sanitation, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the Town of Linden, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

In evaluating the Town as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no component units at yearend.

Accounting Pronouncements:

Effective July 1, 2003 the Town adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements. The requirements of these statements represent a significant change in the financial reporting model used by the Town. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. Other significant changes include the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 60 days of years end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

Water and Sewer Fund - This fund is used to account for the operations of the Water and Sewer Fund.

Natural Gas Fund - This fund is used to account for the operations of the Natural Gas Fund.

The Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments- in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Town uses committed, assigned then unassigned funds.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less.

Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

Property Tax

The Town's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. All Town taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Taxes were levied at a rate of \$0.50 per \$100 of assessed valuation for the fiscal year ended June 30, 2015. Payments may be made during the period from October 1 through February 28. Current tax collections of \$84,304 for the fiscal year ended June 30, 2015 were approximately 93 percent of the tax levy.

Delinquent taxes are turned over to the County for collection as required by the Town's Municipal Code.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-50 years
Furniture and Equipment	5-10 years

Inventory

Inventory of the Utility Fund is valued at cost, using the first in first out method. Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Compensated Absences

The Town has not accrued a liability for unused sick and vacation pay which is earned, but not taken by Town employees as amounts are not allowed to be carried over to the next year.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist principally of cash and accounts receivable. The Town places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Fund Balance

The Town implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

Only by Board approval (via ordinance) can fund balance amounts be classified as committed or assigned. Board approval (via ordinance) is required to establish, modify or rescind a fund balance requirement.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for intergovernmental shared revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Linden's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Linden's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

(2) Cash and Cash Equivalents

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Town.

(3) Accounts Receivable

Accounts receivable at June 30, 2015, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 75,452	95,269	-	170,721
Enterprise Fund	-	-	185,253	185,253
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(43,992)</u>	<u>(43,992)</u>
Total	\$ <u>75,452</u>	<u>95,269</u>	<u>141,261</u>	<u>311,982</u>

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

(4) Capital Assets

A summary of changes in capital assets as presented in the governmental activities column of the government- wide financial statements is as follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Land	\$ 144,497	-	-	144,497
Buildings	481,149	80,447	-	561,596
Infrastructure	418,594	-	-	418,594
Equipment	<u>627,700</u>	<u>32,967</u>	<u>-</u>	<u>660,667</u>
Total	\$ <u>1,671,940</u>	<u>113,414</u>	<u>-</u>	<u>1,785,354</u>
Less Accumulated depreciation	(623,303)			(685,234)
Net capital assets in service	\$ <u>1,048,637</u>			<u>1,100,120</u>

All assets except land of \$144,497 are being depreciated.

Depreciation expense was charged to functions/programs of the primary government as follows:

General Fund:

General government administration	\$ 34,566
Public Works	20,071
Fire department	<u>7,294</u>
Total	<u>61,931</u>

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2015

(4) Capital Assets, Continued

A summary of changes in Enterprise (Water and Sewer) Fund capital assets and related accumulated depreciation follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Asset not depreciated				
Land and easements	\$ 18,947	-	-	18,947
Asset being depreciated				
Buildings	139,678	-	-	139,678
Utility plant	9,558,870	78,472	-	9,637,342
Equipment	<u>152,309</u>	<u>39,500</u>	<u>50,000</u>	<u>141,809</u>
Total	9,869,804	<u>117,972</u>	<u>50,000</u>	9,937,776
Less accumulated depreciation	<u>(3,911,027)</u>			<u>(4,082,497)</u>
Net plant in service	\$ <u>5,958,777</u>			<u>5,855,279</u>

Depreciation expense was \$221,470 in 2015. All assets except land and easements of \$18,947 are being depreciated.

A summary of changes in Enterprise (Gas) Fund capital assets and related accumulated depreciation follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Land	\$ 9,992	-	-	9,992
Utility plant	3,181,606	15,982	-	3,181,606
Equipment	<u>131,985</u>	<u>9,500</u>	<u>24,833</u>	<u>116,652</u>
Total	3,323,583	<u>25,482</u>	<u>24,833</u>	3,324,231
Less accumulated depreciation	<u>(1,350,808)</u>			<u>(1,397,109)</u>
Net plant in service	\$ <u>1,972,775</u>			<u>1,927,122</u>

Depreciation expense was \$71,134 in 2015. All assets except land of \$9,992 are being depreciated.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements, Continued

(5) Long-Term Debt Payable and Other Obligations Payable

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Water and Sewer) Fund during the fiscal year 2015.

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Bonds and Notes Payable:				
1979 Issue	85,000	-	(15,000)	70,000
1994 Issue	37,698	-	(6,089)	31,609
1987 Issue	163,200	-	(10,607)	152,593
1995 Issue	<u>114,410</u>	<u>-</u>	<u>(7,990)</u>	<u>106,420</u>
Total	\$ <u>400,308</u>	<u>-</u>	<u>(39,686)</u>	<u>360,622</u>

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Natural Gas) Fund during the fiscal year 2015.

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Bonds and Notes Payable:				
1995 Issue	<u>558,590</u>	<u>-</u>	<u>(39,010)</u>	<u>519,580</u>
Total	<u>558,590</u>	<u>-</u>	<u>(39,010)</u>	<u>519,580</u>

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2015, are as follows:

	<u>Water and Sewer Fund</u>		<u>Natural Gas Fund</u>	
Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	41,102	19,167	40,503	27,166
2017	42,621	16,972	42,983	25,039
2018	48,512	15,252	45,463	22,784
2019	51,360	11,251	47,116	20,396
2020	28,633	9,717	49,596	17,922
2021-2025	148,394	25,095	293,919	47,475
Total	<u>360,622</u>	<u>97,454</u>	<u>519,580</u>	<u>160,782</u>

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2015

(6) Pension Plan

General Information about the Pension Plan

Plan description. Employees of Linden are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapter 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>14</u>
Total	<u>31</u>

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2015

(6) Pension Plan, Continued

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. Linden makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Linden were (\$65,283) based on a rate of (13.81%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Linden's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Linden's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.0 percent

Salary increases Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation averaging 4.25 percent.

Investment rate of return 7.5 percent, net of pension plan investment expenses, including inflation.

Cost-of-Living Adjustment 2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2015

(6) Pension Plan, Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<i>Long-term Expected</i>		
<u>Asset class</u>	<u>Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real Estate	4.73%	7%
Short-term securities	0.00%	1%
Total		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Linden will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

(6) Pension, Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at 6/30/13	\$ 1,734,580	\$ 1,476,793	\$ 257,787
Changes for the year:			
Service cost	33,113		33,113
Interest	127,561		127,561
Differences between expected and actual experience	8,933		8,933
Contributions-employer		65,445	(65,445)
Contributions-employees		23,701	(23,701)
Net investment income		240,634	(240,634)
Benefit payments, including refunds of employee contributions	(133,745)	(133,745)	-
Administrative expense		(618)	618
Net changes	35,862	195,417	(159,555)
Balance at 6/30/14	\$ 1,770,442	\$ 1,672,210	\$ 98,232

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Linden calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Linden's net pension Liability (asset)	332,299	98,232	(93,795)

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements

(6) Pension, Continued

Pension Expense (income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension income. For the year ended June 30, 2015, Linden recognized pension income of \$3,702.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Linden reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	7,444	
Net difference between projected and Actual earning on pension plan Investments		106,745
Contributions subsequent to the Measurement date of June 30, 2014	<u>66,773</u>	<u>-</u>
Total	<u>74,217</u>	<u>106,745</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	(24,825)
2017	(24,825)
2018	(24,825)
2019	(24,825)
2020	1,489

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2015

(7) Commitments and Contingencies

Litigation:

There are pending lawsuits in which the Town is involved. The Town attorney estimates that potential claims against the Town resulting from such litigation will not materially affect the financial statements of the Town at yearend.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

(8) Risk Management

The Town of Linden is exposed to various risks to general liability and property and casualty losses. The Town has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The Town joined TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The Town pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. The Town has not had claims in excess of insurance coverage during the last three years.

(9) Due To/From and Interfund Transfers

The Natural Gas fund paid certain principal loan balances (\$80,218) of the Water and Sewer Fund. The Water and Sewer Fund is working to reduce the balance on an annual basis. This balance will be paid off in three annual payments.

TOWN OF LINDEN, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2015

(11) Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The Town Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

(12) Restatement – Change in Accounting Principle

The Town Implemented GASB Statement 68 and GASB Statement 71 related to the accounting and financial reporting for pension plans and as a result has restated the government-wide financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Required Supplementary Information

Schedule of Changes in Linden's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS Last Fiscal Year ending June 30

	<u>2014</u>
Total pension liability	
Service cost	\$ 33,113
Interest	127,561
Changes in benefit terms	-
Differences between actual & expected experience	8,933
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(133,745)</u>
Net change in total pension liability	35,862
Total pension liability-beginning	<u>1,734,580</u>
Total pension liability-ending (a)	<u><u>\$ 1,770,442</u></u>
 Plan fiduciary net position	
Contributions-employer	\$ 65,445
Contributions-employee	23,701
Net investment income	240,634
Benefit payments, including refunds of employee contributions	(133,745)
Administrative expense	<u>(618)</u>
Net change in plan fiduciary net position	195,417
Plan fiduciary net position-beginning	<u>1,476,793</u>
Plan fiduciary net position-ending (b)	<u><u>\$ 1,672,210</u></u>
 Net Pension Liability (asset)-ending (a) – (b)	<u><u>\$ 98,232</u></u>
 Plan fiduciary net position as a percentage of total pension liability	94.45%
 Covered-employee payroll	\$ 474,019
 Net pension liability (asset) as a percentage of covered-employee payroll	20.72%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

TOWN OF LINDEN, TENNESSEE

Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS

For the Year Ended June 30, 2015

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	65,445	66,773
Contributions in relation to the actuarially determined contribution	<u>65,445</u>	<u>66,773</u>
Contribution deficiency (excess)	<u>\$65,445</u>	<u>\$66,773</u>
Covered-employee payroll	<u>474,019</u>	<u>483,512</u>
Contributions as a percentage covered-employee payroll	13.81%	13.81%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	6 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

SUPPLEMENTAL INFORMATION

TOWN OF LINDEN, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets By Function and Activity

June 30, 2015

<u>Description</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
General Government	\$144,497	481,149	0	249,393	875,039
Fire Department	0	80,447	0	138,380	218,827
Public Works	0	0	418,594	175,811	594,405
Sanitation	0	0	0	97,083	97,083
Total Capital Assets	<u>\$144,497</u>	<u>561,596</u>	<u>418,594</u>	<u>660,667</u>	<u>1,785,354</u>

TOWN OF LINDEN, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets By Type

June 30, 2015

<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</u>
Land	\$144,497	0	0	144,497
Buildings	481,149	80,447	0	561,596
Infrastructure	418,594	0	0	418,594
Equipment	627,700	32,967	0	660,667
Total Assets	<u>\$1,671,940</u>	<u>113,414</u>	<u>0</u>	<u>1,785,354</u>

TOWN OF LINDEN, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2015

<u>Tax Year</u>	<u>Balance July 1, 2014</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2015</u>
2015	\$ -	85,000	0	85,000
2014	75,000	16,168	84,304	6,864
2013	5,957	0	5,011	946
2012	725	0	597	128
2011	293	0	161	132
2010	295	0	42	253
2009	256	0	41	215
2008	237	0	34	203
2007	1,162	0	0	1,162
2006	366	0	0	366
	<u>\$84,291</u>	<u>101,168</u>	<u>90,190</u>	<u>95,269</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Taxes</u>
2015	\$ 0.50	\$ 85,000	\$ 0	\$ 85,000
2014	0.50	91,168	84,304	6,864
2013	0.50	82,879	81,933	946
2012	0.50	81,180	81,052	128
2011	0.50	84,273	84,141	132
2010	0.50	84,337	84,084	253
2009	0.50	88,471	88,256	215
2008	0.50	90,721	90,518	203
2007	0.50	107,569	106,407	1,162
2006	0.50	101,465	101,099	366

All delinquent taxes except for the 2014 tax year have been turned over to the County.

TOWN OF LINDEN, TENNESSEE

**Schedule of Debt Service Requirements-
Natural Gas Fund**

June 30, 2015

<u>Year</u>	1995 BONDS		TOTAL	TOTAL
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	40,503	27,166	40,503	27,166
2017	42,983	25,039	42,983	25,039
2018	45,463	22,784	45,463	22,784
2019	47,116	20,396	47,116	20,396
2020	49,596	17,922	49,596	17,922
2021	52,902	15,319	52,902	15,319
2022	55,382	12,541	55,382	12,541
2023	57,862	9,634	57,862	9,634
2024	61,168	6,596	61,168	6,596
2025	66,605	3,385	66,605	3,385
	<u>519,580</u>	<u>160,782</u>	<u>519,580</u>	<u>160,782</u>

TOWN OF LINDEN, TENNESSEE

**Schedule of Debt Service Requirements-
Water and Sewer Fund**

June 30, 2015

Year	1994 BONDS		1995 BONDS		1987 BONDS		1979 BONDS		TOTAL	TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	6,401	1,459	8,497	5,699	11,204	8,884	15,000	3,125	41,102	19,167
2017	6,728	1,132	9,017	5,253	11,876	8,212	15,000	2,375	42,621	16,972
2018	7,022	838	9,537	4,779	11,953	8,135	20,000	1,500	48,512	15,252
2019	7,434	426	9,884	4,279	14,042	6,046	20,000	500	51,360	11,251
2020	4,024	74	10,404	3,760	14,205	5,883	-	-	28,633	9,717
2021	-	-	11,098	3,214	15,095	4,993	-	-	26,193	8,207
2022	-	-	11,618	2,631	16,647	3,441	-	-	28,265	6,072
2023	-	-	12,138	2,021	16,384	3,704	-	-	28,522	5,725
2024	-	-	12,832	1,384	18,050	2,038	-	-	30,882	3,422
2025	-	-	11,395	710	23,137	959	-	-	34,532	1,669
	<u>31,609</u>	<u>3,929</u>	<u>106,420</u>	<u>33,730</u>	<u>152,593</u>	<u>52,295</u>	<u>70,000</u>	<u>7,500</u>	<u>360,622</u>	<u>97,454</u>

TOWN OF LINDEN, TENNESSEE

Schedule of Insurance Coverage

June 30, 2015

<u>Type of Coverage</u>		<u>Amounts</u>
Commercial Property	Buildings and equipment	Various
Auto Liability	Per occurrence	700,000
	Personal injury	300,000
	Property	50,000
Public officials	Errors and omission	1,000,000
General liability	Per occurrence	700,000
	Personal injury	300,000
	Property	50,000
Errors and Omissions		1,000,000
Worker's compensation		1,000,000
Employee dishonesty bond	Per employee	100,000

TOWN OF LINDEN, TENNESSEE

Schedule of Bonds - Principal Officials

June 30, 2015

<u>Official</u>	<u>Title</u>	<u>Bond</u>
Elected Officials:		
Jim Azbill	Mayor	100,000
Billy Ray Yarbrow	Alderman	-
Sherman Vaughn	Alderman	-
Johnny Whitt	Alderman	-
Gary Rogers	Alderman	-
Tex Smith	Alderman	-
Billy Ward	Alderman	-
Management:		
Sabrina Swindle	Town Recorder	100,000

TOWN OF LINDEN, TENNESSEE

Schedule of Utility Rates

June 30, 2015

<u>Water and Sewer Rates</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 2,000 gallons	\$10.30 Minimum charge	\$20.59 Minimum charge
Next 3,000 gallons	\$3.17 per 1,000 gallons	\$6.34 per 1,000 gallons
Next 5,000 gallons	\$2.65 per 1,000 gallons	\$5.30 per 1,000 gallons
Next 15,000 gallons	\$2.13 per 1,000 gallons	\$4.25 per 1,000 gallons
Next 25,000 gallons	\$2.05 per 1,000 gallons	\$4.10 per 1,000 gallons
Next 50,000 gallons	\$2.00 per 1,000 gallons	\$3.99 per 1,000 gallons
Over 100,000 gallons	\$1.99 per 1,000 gallons	\$3.78 per 1,000 gallons

Natural Gas Rates - Residential and Small Commercial

Per 1,000 MCF's Varied each month based on the cost of raw natural gas.

There were approximately 2,075 water customers, 525 sewer customers and 1,200 natural gas customers at year-end.

TOWN OF LINDEN, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2015

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2014</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2015</u>
Federal Program								
20.205	SRTS-6800(20)	Safe Routes to School	Department of Transportation thru the Tennessee Department of Transportation	<u>107,630</u>	<u>166,687</u>	<u>0</u>	<u>59,057</u>	<u>0</u>
14.218	STP-EN-6800 30,075	Downtown Enhancement -	Department of Housing and Urban Dev. thru the Tennessee Department of Transportation	<u>145,570</u>	<u>247,009</u>	<u>0</u>	<u>101,439</u>	<u>0</u>
14.218	N/A	Community Livability	Department of Housing and Urban Dev. thru the Tennessee Department of Transportation	<u>0</u>	<u>230,792</u>	<u>0</u>	<u>230,792</u>	<u>0</u>
Total 14.218				145,570	477,801	0	332,231	0
97.088	N/A	Diaster Grant	TEMA thru FEMA	<u>0</u>	<u>30,780</u>	<u>0</u>	<u>30,780</u>	<u>0</u>
14.228	35,305	Emergency Water Storage	Department of Housing and Urban Dev. thru the Tennessee Department of Economic Development	<u>273,056</u>	<u>273,056</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Federal and State				<u>526,256</u>	<u>948,324</u>	<u>0</u>	<u>422,068</u>	<u>0</u>

This schedule was prepared on the accrual basis of accounting.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
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Click to access definition
 Click to add a comment

Water Audit Report for: **Town of Linden, Tennessee**
Reporting Year: **2015** **7/2014 - 6/2015**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: 7 209.225 MG/Yr
Water imported: 2 n/a 0.000 MG/Yr
Water exported: 2 n/a 0.000 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: 7 Value: 7 MG/Yr
 7 MG/Yr
 7 MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: 209.225 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 8 135.116 MG/Yr
Billed unmetered: 2 n/a 0.000 MG/Yr
Unbilled metered: 2 n/a 0.000 MG/Yr
Unbilled unmetered: 2 2.615 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 2 137.731 MG/Yr

Click here: for help using option buttons below

Pcnt: 1.25% 7 Value: 7 MG/Yr

Use buttons to select percentage of water supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption)

71.494 MG/Yr

Apparent Losses

Unauthorized consumption: 2 0.523 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 2 8 1.365 MG/Yr
Systematic data handling errors: 2 0.338 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 2 2.226 MG/Yr

Pcnt: 0.25% 7 Value: 7 MG/Yr

1.00% 7 0.25% 7 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 2 69.268 MG/Yr

WATER LOSSES: 71.494 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 2 74.109 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 9 337.0 miles
Number of active AND inactive service connections: 9 2,695
Service connection density: 2 8 conn./mile main

Are customer meters typically located at the curbside or property line? 2 Yes

Average length of customer service line: 2 (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 2 7 100.0 psi

COST DATA

Total annual cost of operating water system: 9 \$1,017,010 \$/Year
Customer retail unit cost (applied to Apparent Losses): 10 \$10.30 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): 9 \$2,986.00 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 77 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association
Copyright © 2014. All Rights ReservedWater Audit Report for: **Town of Linden, Tennessee**Reporting Year: **2015** | **7/2014 - 6/2015**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 77 out of 100 ***

System Attributes:

Apparent Losses:	2.226	MG/Yr
+ Real Losses:	69.268	MG/Yr
= Water Losses:	71.494	MG/Yr

Unavoidable Annual Real Losses (UARL): 81.30 MG/Yr

Annual cost of Apparent Losses: \$22,924

Annual cost of Real Losses: \$206,834

Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: 35.4%

Non-revenue water as percent by cost of operating system: 23.4%

Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: 2.26 gallons/connection/day

Real Losses per service connection per day: N/A gallons/connection/day

Real Losses per length of main per day*: 563.13 gallons/mile/day

Real Losses per service connection per day per psi pressure: N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 69.27 million gallons/year

Infrastructure Leakage Index (ILI) [CARL/UARL]: 0.85

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and Board of Aldermen
Town of Linden, Tennessee
Linden, Tennessee

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Linden's basic financial statements, and have issued a report thereon dated July 31, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Linden's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Linden's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Linden's internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (1996-002 Lack of segregation of Duties).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (1996-002) to be a material weakness.

The material weakness is as follows:

1996-002 Separation of Duties

Due to the limited number of personnel employed by the Town, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the Town strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Linden's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the Town of Linden in a separate letter dated July 31, 2015.

Response to Findings

The Town of Linden's response to the finding identified in the audit is described above. The Town of Linden's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

John R. Poole, CPA

July 31, 2015

TOWN OF LINDEN, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2015

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
1996-002	Separation of Duties	Continues